

September 28, 1960

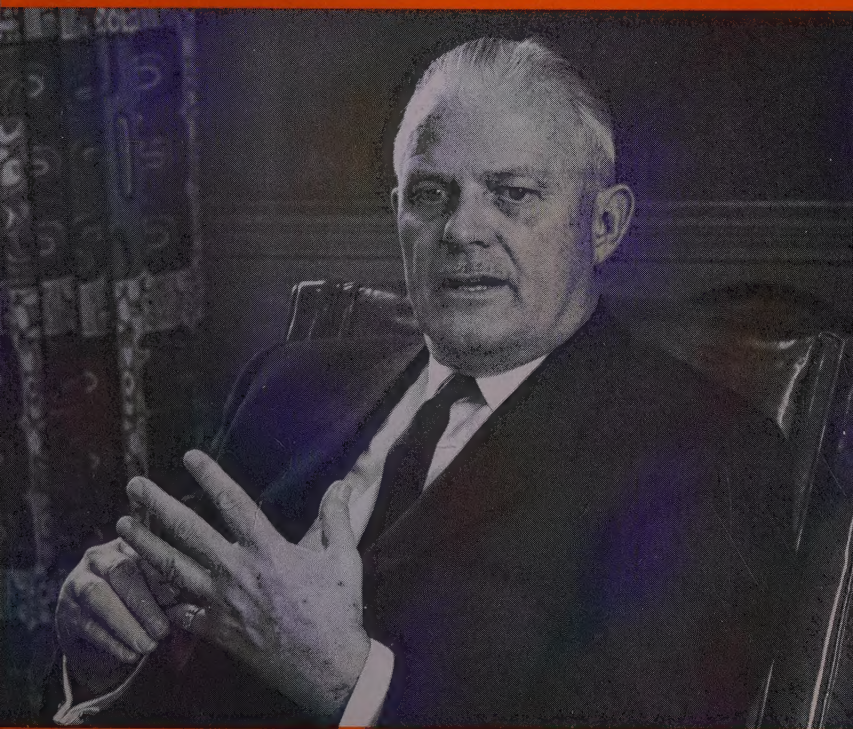
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Investor's Reader

For a better understanding of business news



"BOOTS" ADAMS BOOSTS PHILLIPS PETE (see page 20)

CONVENIENT CAN

This modern mother tests the newest convenience in convenience foods: a frozen orange juice can with a self-opening aluminum top. A finger-sized loop enabled her to pull off a metal strip clear around the top; as an added bonus, this left a smooth, safe lip inside the can instead of the jagged edge made by a can opener. The can's body consists of laminated paper-board & foil which cuts both cost and weight.

Most ordinary householders however will have to wait before they can try such convenient containers.

JUDY BRUDER

Joint developers Aluminum Company of America and diversifying machinery maker United Shoe Machinery have so far turned out just enough cans on lab and pilot equipment for frozen juice leader and Coca-Cola fiancée Minute Maid to start a six-week market test in Providence this month.

This is but the latest entry in the vigorous competition for a slice of the \$1½ billion-a-year can market. Meantime Reynolds Metals will supply an estimated 50,000,000 all-aluminum cans for the 1960-61 pack at Minute Maid's Auburndale, Fla plant. Reynolds and Alcoa have also furnished aluminum for lubricating oil cans. To protect a market which took 9% of last year's steel shipments, US Steel late last month came out with Ferrolite thin tinplate which weighs half as much as regular plate. It is also priced at a level which aluminum, already considered "unrealistically" low in a kind of introductory bargain offer, probably cannot afford to meet.

Other considerations enter on both sides. Tinplate men claim their product alone can withstand the pressures needed for canning processed foods, soft drinks, etc. Also tinplate can be processed faster; furthermore much automated canning machinery handles the steel magnetically, would require adaption for non-magnetic aluminum. For its part aluminum can offer freight savings, greater corrosion resistance—and a determination to lick some of its weaknesses. And it can see plenty of progress in just partial usage. Said an Alcoa spokesman: "If we could just get our quick-opening, throw-away-your-can-opener top on all cans, this would require half a billion pounds of aluminum a year."

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Investor's Reader

No 7, Vol 35

September 28, 1960

Banks and the Easing of Credit

Earnings to Stay High Till New Loans Replace Old; New Deposits Needed

BANKS across the nation are heading into the final quarter of the year with hopes of much improved 1960 earnings, good growth prospects in many areas and a number of knotty problems. Chief among them: 1) lower interest rates, 2) the need for deposit growth.

The lower interest rates came about after Summer-long prompting from the Federal Reserve. Since June the Fed has used all three of its major weapons of credit control to make money easier. It bought Treasury securities in the open market. It twice lowered the discount rate. And it freed some \$600,000,000 which can be used as backing for up to \$3.5 billion in loans by lowering reserve requirements in New York and Chicago and by freeing vault cash in all areas.

All these steps left the nation's

bankers with the feeling of a man in good health who suddenly has a thermometer thrust into his mouth and a blood pressure cuff around his arm. It was not until the discount rate had been cut to 3% in two half-percent chunks that bankers finally cut the prime rate to 4½% from 5%. In taking this reluctant action many bankers explained they were already fully "loaned up" and finding it difficult to meet demand for funds despite the Fed's current credit liberalization. They further stated their rate cut was confined to the prime rate and that prime rate borrowers would now be chosen more carefully. As always, all other rates are scaled upward from the "prime."

The Fed has acted at an earlier stage in response to economic storm signals than in any previous post-war problem period. The stock market is off just over 10% from its Dow Jones-measured high of 685 in Jan-

uary to its recent 610, the economy has held steady with consumer buying, exports, commercial and industrial construction, state and local government spending making up for the deficiencies in steel production and home building. Major prompters for Fed action were the Treasury bill rate and business loans.

Business loans by the major New York banks have declined \$337,000,000 since mid-year whereas a year ago, despite the steel strike, loans had risen by \$297,000,000. New York banks of course do a very large part of the nation's commercial bank lending. At Chicago bank loans have fallen \$41,000,000 since mid-year *v* a \$117,000,000 gain in the corresponding year-earlier period. Treasury 91-day bills this year have skidded from a high of 4.6% in January to a recent low of 2.2% and now are around 2.5%.

The effect of the Fed's action on business remains to be seen. The theory is that more money will be available to corporate borrowers who were holding off because of high rates or unavailability of credit. Their borrowing will allow greater production and more people will have more work to do. But monetary authorities agree that in practice easing of money appears to be less effective in halting economic downturns than tightening is in restraining booms.

Though money has been eased prior to the election, the voting on November 8 gives rise to banker concern. Whichever party wins there will be a new administration. And though sides are pledged to main-

tain the Fed's autonomy, any administration obviously wields great influence in shaping monetary policy and it will be some time before anyone can get a real line on the new chief executive's fiscal course.

In any case, the Fed's easing of money is bound to have its effect on the banks. Banks are in business to make loans and the higher the interest rates, the greater their income if loan volume remains steady. But since changed rates apply only to new loans, it takes about six months for lower interest rates to slow bank income. If the banks can meantime increase deposits they can compensate for the lower rates. Also there is the consolation that lower interest rates mean higher prices for their holdings of Government bonds, so banks will show profits on securities transactions rather than the substantial losses shown last year.

Profit Account. Earnings of major banks in the first half of 1960 were uniformly higher, with increases ranging from the pro forma 5% of the merged Chemical Bank New York Trust (see page 4) to the 32% of Bankers Trust and the 34% of Morgan Guaranty. In dollars Chemical earned \$19,990,000 or \$2.36 a share *v* \$2.24, Bankers Trust \$16,290,000 or \$2.02 *v* \$1.53 and Morgan Guaranty \$26,900,000 or \$3.57 *v* \$2.67.

For the full year gains by banks are expected to be 10-to-15% over 1959. Consequently Wall Streeters will not be surprised if there are some dividend increases. Just recently the Hartford National, big-

gest bank in Connecticut, upped its rate to 45¢ quarterly from 40¢.

But stockholders have apparently taken into account the effects of lower interest rates; stocks of major banks are off from their highs for the year which most of them, along with the general market, established in January. Chase Manhattan Bank is selling around 59, off from its high of 68. Fellow New York giant First National City slid from 90 to 76. Morgan Guaranty, a good earnings performer, is off to around 99 from a high of 116. However Bankers Trust at 45 is only three points below its high.

Outside New York, the Valley National of Phoenix is at its high around 66, slightly higher than at the start of the year and over six times its 1951 low. Others near their highs are Philadelphia National, Pittsburgh National and Jersey's National Newark & Essex.

Banks are generally considered fairly good defensive stocks with well-protected dividend records. At present, yields for the larger banks range from 3.8% for Bankers Trust to 4.3% for Chemical Bank in Manhattan. Outside the city holders can obtain yields around 5% for Philadelphia National though in strong growth areas for stocks like Union Bank of Los Angeles they must settle for 2.7%.

Deposit Hunt. But to provide for future growth, banks must develop deposit growth. Many banks fear their deposits may not be adequate to provide backing for the potential growth in credit demand. In the past big city banks used to

be loaned up to around 40% of assets. Now it is not uncommon for them to be loaned up to 50-to-60% of assets. To increase their loans the banks have reduced their holdings of Government securities. But this source of additional loan funds seems about dried up. Banks must attract more deposits by expansion, following their customers to the suburbs or whatever other means possible to expand their lending capacity.

In New York where the big banks have found it particularly difficult to maintain deposit growth, they now hope to increase their deposits by territorial expansion. The State Legislature surprised everyone by passing a new omnibus banking law which permits expansion across county lines by a number of different types of banks. The new law will allow the city's banks to pursue onetime city-dwellers into the suburbs. The bill has another twist. It also allows the suburban banks to protect themselves against city encroachment by expanding back into the city.

Specifically New York City banks may establish branches in Nassau and Westchester Counties; Nassau and Westchester County banks may move into the city; new statewide bank holding companies may be formed.

There has been action on all fronts.

● Major New York City banks have applied for a total of 19 branches outside the city limits. Of these five were approved, eight were rejected and six are still pending—

a fairly clear indication the banking authorities favor gradual evolution.

- Manhattan-based Bankers Trust and Westchester's County Trust recently announced plans to form a holding company. County Trust was previously committed to a four-year-old proposal for holding company marriage with First National City Bank of New York which had at one time been turned down by the Federal Reserve.

- Meadow Brook National Bank of Hempstead in Nassau County announced plans to merge with Colonial Trust Company, a relatively small downtown Manhattan bank which specializes in foreign trade, and Queens National Bank, both inside the city limits.

The banks have one special reason for moving with caution. Franklin National Bank of Long Island has initiated proceedings to test the constitutionality of the new law and its voluble Chairman Arthur T Roth has vowed he will carry the case to the Supreme Court. Should he happen to find a sympathetic judicial ear, the banks might have to undo their expansion efforts.

Bankers outside New York will look carefully at the results of the test case. If, as most New York City banks apparently are betting, the constitutionality is upheld, outside bankers may take a cue and seek territorial expansion into areas which are now restricted by local law.

Meantime, the banks set themselves for easier credit and the fight for deposits.

BANKING

Celebration at Chemical

JUST ABOVE sunshine-bright Fifth Avenue, the senior officers of New York's Chemical Bank New York Trust Company last week sponsored a quiet celebration—the 40th anniversary of bank employe Harold Holmes Helm. Said one officer: “Of course you know he is now chairman of the bank but you may not know he is only 59.”

Princeton-grad Helm made a few “reflections.” In his 40 years (“I started as a credit investigator”) Chemical has grown from one office with 300 employes to 105 offices with over 7,000 employes. Total assets have leaped from \$210,000,000 to a whacking \$4.1 billion to make it the fourth largest in the US. Its impressive cash dividend record dates back 112 continuous years.

More important, the whole character of banking has changed. In bygone days Chemical was a “wholesale bank” and catered to big business; nowadays it is also a “retail bank” and actively seeks little customers.

The scope of Chemical has broadened on another front—geography. Because of recent New York State laws (see above), all Metropolitan banks can plant branches outside the Big City (and vice versa). With a beam on his ruddy face, Harold Helm stated “this is constructive legislation.”

The sun shines within the bank. First half operating earnings rose modestly to \$2.36 a share. The best guess for the full year is \$4.80 a share or a new alltime record.

BUSINESS AT WORK

FOREIGN FRONT

Sociable with Satchmo

EVER world and music minded (224 international plants; singing commercial specialist, etc) the \$109,000,000-assets Pepsi-Cola Company will combine the two next month. It is sending Louis Armstrong and his All Stars on a nine-concert tour of Ghana and Nigeria to promote the sale of Pepsi. By the time Satchmo arrives Pepsi expects to have five locally owned bottling plants with 8,000,000-case-a-year capacity.

CHEMICALS

Sun Shines on Plastics

IT LOOKED like an early Christmas two weeks ago in the Gold Suite of Manhattan's plush Sheraton East Hotel (once the Ambassador). Actually it was just a pleasant engagement party for Sun Chemical Corp which publicly introduced two new mates and some of their wares. Welcomed into the Sun family were Artistic Manufacturing Company of Stamford, Conn and Dyna-Foam Corp of Ellenville, NY.

Artistic makes a wide assortment of decorative packaging materials which include fancy ribbons, papers, bows. Dyna-Foam produces expanded foam thermoplastic film, a low-cost and low-weight synthetic which "replaces paper in many cases." The material is insulated against both heat and cold which was neatly demonstrated as company officials passed around cups filled with both boiling water and dry ice (see pic-

ture). It also has remarkable cushioning, decorative and water proofing properties. Sun plans to use it for decorative packaging materials as well as disposable cups, plates, place mats, napkins and other handy household items. It will also try for such uses as egg cartons and TV-radio speaker cones. In fact Sun has already made up some sample speaker cones, claims they offer better acoustical qualities at 75% lower cost than conventional paper ones.

Acquired for an undisclosed amount of cash and some stock, the new duo ties in nicely with Sun's Facile and Electro-Tech divisions. Facile was bought last November. It puts out a line of coated and laminated films, fabrics, industrial and decorative tapes. It also has 50 patented automatic bow-making machines which last year turned out 25,000,000 fancy bows made of Facil-Fab ribbon. Electro-Tech is a specialist in coatings, plastics, laminates, chemically pre-impregnated fabrics, etc. It formerly was a part of Sun's Chemical division.

The four companies will make up Sun's newly-formed Packaging Materials group which will be headed by former Facile president Eugene Jacobson, now a Sun vice president.

Sun president Norman E Alexander noted: "This marks the beginning of a new direction for Sun from our traditional industrial markets into the retail field." The new group will offer a complete line of gift wrappings and party & picnic



Jacobson (l) and Alexander test Dyna-Foam cup

ware to be sold through a ready-made distribution system of more than 15,000 retail outlets which already carry Artistic products. Says Norm Alexander: "By 1962 it could account for 20-to-25% of our sales, even more of our earnings."

As such the new division will certainly be Sun's fastest grower. But president Alexander assures "it will not change the basic character of Sun. We will continue to expand our other divisions." One big expansion area was highlighted in July when the company set up an International Operations group "to augment our penetration of key markets in Europe, the Far East, Africa and the Western Hemisphere." One of the first augmentations is a new pigments plant for which ground was broken at Toluca, Mexico in mid August. And early this month Sun teamed with Britain's Universal Printing Ink Company Ltd in a jointly owned ink manufacturing

venture with plants in Britain and Europe.

Of Sun's other divisions the largest is Graphic Arts which accounts for more than half of Sun volume and makes the company No 2 US producer of printing inks (after Interchemical Corp). This division also makes press room supplies (rollers, type washes, litho plates, etc) and specialized printing machinery. The Chemicals division is the second most important. It turns out pigments for use in printing inks, paints, coatings and cosmetics as well as wash & wear and water repellent and stain resistant chemicals. The Industrial Coatings and Finishes division produces coatings, finishes and adhesives for the painting and construction industries.

Acquisitions have played an important role in the Sun growth picture especially since 1957 when the company bought organic pigment maker Ansbacher-Siegle and at the

same time acquired the talents of its president Norm Alexander who then took over the reins of the entire Sun organization.

As president he has led Sun into half a dozen acquisitions so far. Aside from the packaging materials group they include Ampruf Paint which makes household, maintenance and specialty paints, Pennsylvania Color & Chemical which produces pigment dispersions.

This active acquisition policy has resulted in a 21% boost in volume since 1957 to last year's record \$54,780,000. Sun profits which fell from \$2,070,000 or \$1.66 in 1955 to a low of \$1,090,000 (72¢) in 1958 have staged somewhat of a comeback. Last year they came to \$1,350,000 or 90¢ a share. This year with the new acquisitions Sun sales are figured around \$6,000,000 while profits are expected to top a dollar.

Sun's brighter rays have also focused on the Big Board where the 1,380,000 SNL common shares (23% management held) have been extremely active. They have risen 50% this year to trade around their post war high of 18.

UTILITIES

Electric Living

JUDGING from the main exhibit at the Electric Living Show in Manhattan's Coliseum last week it takes only a modest nest egg nowadays to afford a "totally electric" home designed for the latest in plug-in, push-button living. Featured was a model three-bedroom home equipped with a raft of General Electric

appliances and boasting a price tag of only \$15,000 which includes house, lot and appliances in a special Jersey development.

This attractive, heavily-electrified model ranch home is tied in with two industry campaigns—one local and one national—designed to convince present and prospective homeowners they can and should "live better electrically."

First, it bears the "Gold Medalion" label which is the National Electrical Manufacturers Association's certification for homes which meet its standards for electrical heating, wiring, lighting and number of electric-powered appliances. NEMA reports: "The present Gold Medalion campaign is an outgrowth of GE's 'live better electrically' idea of five years ago expanded to aid the whole industry. It is carried on today by 577 authorized local utilities. At the end of last month there were nearly 140,000 gold or bronze (not electrically heated) medallion homes in the country and the number is increasing rapidly."

Secondly, the model home in the Coliseum foretells of an increase in electricity use for another reason. It duplicates twelve model homes which will be ready for display around October 30 on the site of a 2,300-acre development near Metuchen, NJ. Called impressively "Electric City, USA" the whole development project which is expected to total \$200,000,000 will take five years to complete. The first section of 1,100 houses is expected to be ready in a year and a half, will feature homes ranging from \$13-to-25,000, and eventually

a shopping center in another year.

Electric City is co-sponsored by three companies: builder W J Happel & Company of East Orange, NJ; General Public Utilities subsidiary Jersey Central Power & Light which will provide the power; and General

Electric which will furnish appliances by the thousands for the new Gold Medallion homes. It highlights the economies made possible by mass production as well as the ever-increasing competition between oil, gas and electric heat.

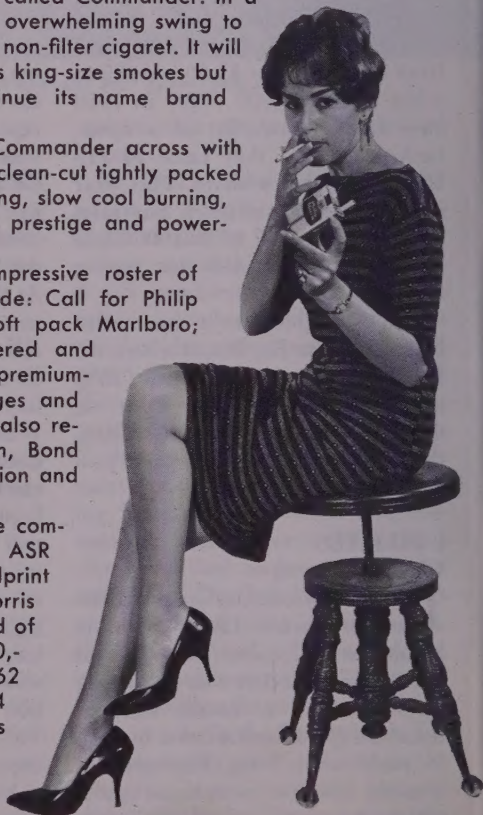
PHILIP MORRIS PRECEDENT

While the piano stool on which this attractive miss perches may not make decorator history Philip Morris hopes the new all-tobacco cigaret she is smoking will score. Early this month at a press luncheon in Manhattan's smart "21" restaurant the tobacco specialist introduced its new longer (by 5mm) than its long-size smoke called Commander. In a move counter to the industry's overwhelming swing to filters the Commander will be a non-filter cigaret. It will replace the current Philip Morris king-size smokes but the company intends to continue its name brand regulars.

Philip Morris hopes to put Commander across with emphasis on its "firmness and clean-cut tightly packed ends, very uniform tobacco filling, slow cool burning, rich flavor" not to mention its prestige and power-conscious name.

The new smoke joins an impressive roster of company products which include: Call for Philip Morris regulars; flip-box or soft pack Marlboro; recessed filter Parliament; filtered and mentholated Alpine; choice premium-priced smokes Benson & Hedges and English Ovals. The tobacconist also retails pipe tobaccos Lyons Own, Bond Street, Country Doctor, Revelation and Barking Dog.

Philip Morris smokes plus the company's acquired subsidiaries ASR Products (Gem razors, etc), Milprint and Polymer brought Philip Morris six month sales to a new record of \$249,700,000 from \$244,100,000. Earnings increased to \$2.62 a share compared with \$2.44 last year. For the full year sales are estimated by management at half a billion with earnings about \$5.50 a share.



WALL STREET

A Follow-Up on Cash Dividend Records Of Veteran Payers

STOCK APPEAL for different investors may range from a longing for juicy capital gains to concentration on safety of principal. But always high on the list of the average stockholder's interest are dividends. This accounts for the unflagging popularity of pamphlets periodically compiled by Merrill Lynch, stock exchanges and others which show stocks with long histories of uninterrupted dividend payments. No doubt investors are more interested in dividends for the years ahead rather than periods past, but they reason dividend reliability in the past may be one valuable guide to the future.

A follow-up on approximately 1,100 stocks which had paid cash dividends in each of the 20 years preceding 1955 shows such faith overwhelmingly justified. In 19 out of 20 cases the holder would have continued to receive at least some cash in each of the years since 1955 though in quite a number of instances he would now own a different security. Thus Dixie Cup whose dividend string was started in 1929 is now part of American Can; Sylvania Electric (dividends since 1929) merged into General Telephone; retailer Hecht Company (since 1921) into May Department Stores.

A number of companies have by now gone out of business and distributed liquidating cash to stockholders. Campbell, Wyant & Can-

non Foundry which paid without fail from 1935 till 1957 sold out to Textron for cash and Great Lakes Steamship with a perfect 1934-56 record liquidated completely.

But in a relative handful of cases such as those tabulated on page 10 the cash dividend string snapped sometime during the past five years. Some like machinery maker Lynch Corp or publisher Boston Herald Traveler have substituted small stock distributions for cash.

Stock Extras. When stock dividends supplement cash dividends they normally provide extra receipts for the stockholder. For instance after Commonwealth Edison declared 2.4% in stock this month, stockholders could look forward to receiving the regular 50¢ a share quarterly payment on a somewhat greater number of shares. But when cash payments are lacking, the effect of stock dividends is mostly psychological since the holder receives more shares representing the same total stake in the equity with no direct cash return in sight.

Whatever the argument for or against stock payments, some companies suspended all disbursements. In this category were three truly old-time dividend payers: New England electrical equipment maker Landers, Frary & Clark which had paid for 71 years in a row through 1957; textiler Duplan with a 48-year record through 1955 and troubled one-time typewriter king Underwood with a 47-year record through 1957.

Of course, a fall off the dividend wagon does not necessarily mean the company is near the end of its

line. A bad year or two may be followed by a resurgence—spurred perhaps by investment of funds which might otherwise have gone into dividends.

In any case, a number of the dividend interrupters are at this

stage back on a paying status including Fruehauf Trailer and heating specialist Coleman Company.

The old stockholders of Loew's Inc, accustomed to dividends since 1923, had to learn to do without them after the first half of 1957.

SOME BROKEN DIVIDEND STRINGS

(Adjusted for stock splits and stock dividends of 10% or more)

Company	Where Traded	Had Paid Ea Year Since	Dividend Payments					Declared So Far In '60
			1955	1956	1957	1958	1959	
American Ship Building	NYSE	1917	\$3.00	\$3.00	\$3.00	—	\$1.00	\$1.00
Atlas Corp	NYSE	1935	.52	.60	.60	\$.15	STK	—
Babbitt (BT)	NYSE	1926	.30	.30	STK	.10	.20	—
Boston Herald Traveler	OTC	1934	1.05	1.00	.50	STK	STK	STK
Briggs Manufacturing	NYSE	1934	1.50	1.40	—	—	—	—
Chamberlin Co of Amer	Amex	1924	.40	.30	.20	STK	.07½	STK
Coleman Co	Midwest	1934	1.33	.67	.17	—	.55	.60
Compo Shoe Mach	Amex	1932	.35	STK	.10	.30	.32½	.30
Congoleum-Nairn	NYSE	1931	1.10	1.20	.40	—	—	—
Consolidated Paper	Detroit	1922	1.50	1.50	1.00	.50	—	—
Duplan Corp	NYSE	1908	.10	—	—	—	—	—
Elgin Natl Watch	NYSE	1935	1.30	.90	.50	—	—	—
Ewa Plantation	Honolulu	1913	1.70	1.60	2.00	.25	—	—
Fruehauf Trailer	NYSE	1934	1.00s	1.40s	.70s	—	—	1.20
Goebel Brewing	NYSE	1934	.45	—	.10	—	—	—
Hall (CM) Lamp	Amex	1918	.02	—	—	—	—	—
Industrial Rayon	NYSE	1931	3.00	3.00	1.75	—	—	—
Kidde (Walter) & Co	Amex	1936	1.00	1.00	.90	.25	STK	—
Lake Shore Mines	Amex	1918	.10	—	—	—	—	—
Landers, Frary & Clark	OTC	1887	1.25	1.45	.75	—	—	—
Lincoln Stores	OTC	1931	.85	1.00	.70	.10	—	—
Loew's Boston Theatres	Boston	1921	1.00	1.00	.70	.15	—	—
Lynch Corp	Amex	1929	.60	.60	.60	.15	STK	STK
Metro-Goldwyn-Mayer	NYSE	1923	1.00	1.00	.50	—	.30	1.30
Modine Mfg	Midwest	1928	1.60	1.20	.80	—	.75	.75
Mojud Co	NYSE	1934	1.20	1.10	—	.90	.60	—
Muter Co	Amex	1934	.15	—	—	STK	STK	STK
Natomas Co	NYSE	1930	.60	.30	—	—	—	—
Parkersburg-Aetna Corp	Amex	1936	.40	STK	.15	.15	STK	—
Philco Corp	NYSE	1926	1.60	.80	STK	STK	.25	—
Pierce Industries	Amex	1936	.15	—	—	—	—	STK
Royalite Oil Ltd	Amex	1929	.26	.26	.26	.06½	—	—
Storkline Furniture	Midwest	1936	1.50	.75	—	—	—	—
Technicolor Inc	Amex	1936	1.00	.50	.12½	—	—	—
Underwood Corp	NYSE	1911	1.50	1.10	.40	—	—	—
United Shirt Distr	Detroit	1934	.40	.50	.30	.15	—	.15
Van Norman Industries	NYSE	1935	1.00	1.00	.20	—	—	—
Wright-Hargreaves Mines	Amex	1931	.12	.12	.03	—	—	—

s—plus stock divd; STK—stock divd only.

The antitrust-forced separation effected in March 1959 gave them half a share each in exhibitor Loew's Theatres Inc (which has made no payments yet) and the producer-distributor now known as Metro-Goldwyn-Mayer which started paying 30¢ quarterly last October and will boost this by a dime next month.

Electronician Philco suspended a 31-year cash record and made stock payments in 1957-58. But as earnings improved again it paid 25¢ last December and another distribution may be made this year end. Conceivably some others with no payments listed so far this year could also come through before New Year's Eve.

One pertinent point in all dividend considerations is while a long string of payments makes an impressive record, it is no proof of regularity. Some companies keep the sequences alive by a single token payment in poor years. The Pennsy whose famous dividend string started in 1848 made a 25¢ payment at the end of steel strike-bothered 1959, has not yet taken its 1960 action.

But on an overall basis, the dividend record of US corporations is immensely impressive, running currently at a record \$14 billion a year rate. And the sturdiness of most dividend payers, with over a thousand now boasting a quarter-century-or-better string, provides a solid basis for faith in future payments. But as always, the investor must not only select his stocks with care but keep an active eye out for development of any unfavorable trends.

RETAIL TRADE

Bullock's Tale

HURRICANE DONNA howled outside but the few hardy lunchers who attended the Manhattan Security Analysts' session heard a tale of Sunny California. President Walter W Candy Jr of Bullock's Inc emphasized: "We occupy a strong position on the Pacific Coast for fashion and quality and we intend to maintain this reputation."

The 53-year-old company operates "Bullock's Downtown," a large department store in Los Angeles, three branches in the LA suburbs as well as units in Palm Springs and Santa Ana. The 1944-acquired I Magnin & Company division maintains 13 swish shops for women & children mostly in and around San Francisco and Los Angeles but extending to La Jolla, Fresno and Seattle.

Both divisions sell quality merchandise but while Magnin appeals only "to the middle and upper income groups," Bullock's has a broader range, "starts with the lower middle and extends to the upper income." It also contributes the bulk of profits (approximately two-thirds) while Magnin has lower margins.

So far this year Bullock's has managed to do better than the somewhat slack general trend. In the six months ended July volume inched ahead less than 1% to \$68,000,000. Profits dropped slightly to \$2,071,000 or 78¢ a share from \$2,120,000 (80¢). However, president Candy attributes the dip to the fact "only two days of Bullock's August

clearance were included whereas the first eight days of this sale were in the first six months of last year. In August we made up the difference and for seven months we are slightly ahead of last year." Bullock's economists predict a 6% sales gain in the fourth quarter and if correct "we should have a year which produces higher profits than 1959." Wall Streeters estimate around \$2.70 a share. In 1959 the company chalked up records with sales of \$155,400,000 and earnings of \$2.57 a share.

Aiding 1960 results will be Fashion Square, a 45-acre shopping center in Santa Ana built by Bullock's. Completed in the Fall of 1958 the \$19,200,000 project features both a Bullock's and a Magnin store plus 30 other tenants. Prexy Candy beams: "This baby of ours operated during the first full year at a modest profit and has a sales increase of 12% so far this year." A similar Bullock's-Magnin shopping center will open in the San Fernando Valley in 1962 and "our estimate of the first year's business is \$15,000,000 with a \$30,000,000 potential in a very short time."

As for the longer term "we are a little cocky about the future. Bullock's is very fortunate to be operating in a tremendously growing territory." He predicts: "By 1963 we will be in almost a boom situation."

To take care of demand Bullock's has "two locations for expansion in mind—Pomona and the Long Beach area." However, since Bullock's suburban stores are usually big (300,000 square feet), president Candy

feels his company should only undertake such projects every four years. "We consolidate our gains before taking on a large new venture."

This sound philosophy is reflected in Bullock's dividends which have been paid steadily ever since 1930. In February directors hiked the quarterly rate a nickel to 35¢. Despite the expected earnings gain, president Candy warns Bullock's 10,000 owners "not to look for another increase this year."

Bullock's 2,600,000 common shares, split 2-for-1 last Fall, were listed on the Big Board in August. They now trade around 34, less than three points from last month's all-time high. While the ticker symbol is BUL, Walter Candy has a warning for all-out bulls: "Bullock's is not and probably never will be a glamor stock, a dynamic stock." Instead he analyzes: "For many years the brokerage houses on the Pacific Coast have recommended our stock to people who want a reasonably assured dividend and a conservative growth pattern."

News for Shoes

AS A CLIMAX to five years of intensive research No 2 shoe producer Endicott Johnson Corp last week summoned a press audience of 50 to herald the development of a dramatic new leather process. The company claims it increases the wear characteristics of leather "by almost 700%" and leaves the leather free from the usual "breaks" or creases which appear in ordinary leather after use.

Just to prove these extraordinary properties Endicott Johnson researchers subjected the treated leather to a series of severe tests. In one they applied the treatment to the initials EJ stenciled on a strip of leather, then applied the final finish. When sanded with 180 grit sandpaper (see picture) the untreated leather wore away leaving the treated initials almost unscuffed.

A urethane-polymer treatment which is applied to the leather after it has been buffed but before the finish is applied, the process was developed in the research labs of Battelle Memorial Institute under the sponsorship of Endicott Johnson and six small tanning companies. Endicott Johnson marketing vice president Edgar B Mooney Jr hails it as "the first major advance in leather finishes in 30 years."

The compound is currently being manufactured by Stahl Finish Company of Peabody, Mass which in turn will distribute it only to the original seven sponsors. The sponsors however plan to set up Titekote Corp to license other tanners to use the process. Royalties will go into further research for other improvements in leather finishing.

Endicott Johnson will market its leather under the label Dura-Soft. It expects to introduce it in some of its men's and boys' lines early next Spring, expand it to all its leather shoe lines by Fall.

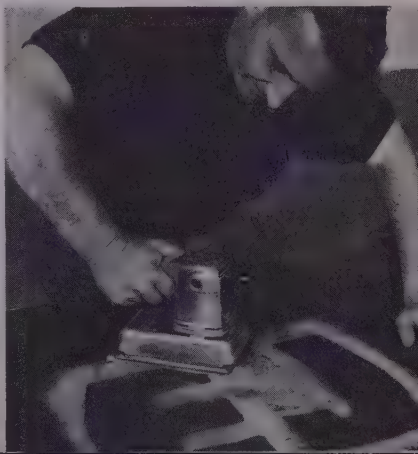
The development of Dura-Soft should be an asset to the recently announced intentions of Endicott Johnson to double sales and greatly improve earnings by 1965 through a

new \$28,000,000 reorganization and marketing program. As part of this program the company has begun to offer "high-fashion styling in volume production" in some of its fall lines. More high-fashion models may soon be turned out at the company's new Ackerman, Miss plant which was leased last January. It is due to begin production later this year on a line of women's shoes "not presently produced in our other plants." The Mississippi plant also marks the first time the shoe maker has ventured outside its traditional Northeastern manufacturing bailiwick centered around Binghamton and adjoining Endicott and Johnson City.

Another important part of the new Endicott Johnson program is more retail outlets. The company has stressed expansion not only of independent outlets but has also added to its own stores. It opened 22 new company-owned units in the first half of this year with further expansion to about 600 planned by the end of the year (v 566 last year).

Its efforts have yet to show up on

Dura-Soft shines in sanding test



Endicott Johnson's financial statements. For the 26 weeks ended May 27 sales slipped a little more than 5% to \$66,250,000. Earnings before inventory and tax provisions came to \$1,340,000 v \$2,421,000. However after a provision for the company's "normal base stock method of inventory" which added \$157,000 to profits as against a \$974,000 deduction for the same period last year, final net income more than trebled to \$830,000 or 84¢ a share v \$251,000 (13¢) the year before.

For the full year the company expects sales to match 1959's \$146,000,000 on which it earned only \$1,505,000 or \$1.50 a share, a figure also deflated by inventory adjustments. The company has for some time considered changing its inventory methods. However any plans will probably wait until Endicott Johnson experiences a sustained period of declining raw material prices.

PLASTICS

GE Dons a New Hat

THIS WEEK a well-endowed newcomer to the more exotic reaches of the plastics industry—none other than \$4.3 billion-a-year General Electric Company—is running its first batches of a new polycarbonate called Lexan through its brand-new plant at Mount Vernon in southern Indiana.

It may be news to most investors but GE has been a plastics maker for years, has turned out phenolic resins for many industrial users as well as its own consumption. But Lexan marks GE's entry into the

thermoplastics field and puts the nation's No 1 electric equipment company in competition with Nylon, Delrin and other well known plastics. To develop its new product and build its plant, GE spent over \$11,000,000.

Lexan started five years ago when GE research chemist D W "Dan" Fox searched for a plastic which had good electrical insulating properties at high temperatures. He found one. But at about the same time, so did Germany's Farbenfabriken Bayer. Most patent and licensing problems have been worked out between the two. Farbenfabriken Bayer has joined with Monsanto Chemical to form Mobay Chemical Company which is making the plastic at its New Martinsville, W Va plant.

Polycarbonates are a rough, tough type of plastic made of a long chain of bisphenol chemical building blocks, held together by carbonates. The plastic can resist heavy whacks and sharp falls. It shows no ill effects in temperatures ranging from -60° to 250° F. It can be made transparent or colored, resists staining, is non-corrosive and non-toxic.

GE plastics research & development chief Roy Moody explains Lexan got its name from the systematic coupling of pleasant-sounding syllables by a pair of research chemists after other efforts had come to naught. "We've received a good many compliments on the name," he says.

GE already knows of some 300 applications for Lexan thanks to four years of pilot plant and semi-commercial production. It is being

used for electrical and electronic parts, precision dials, containers and cases and transparent housings and windows. GE claims Lexan replaces metals successfully in many applications. Manufacturers can handle Lexan by injection or blow molding, extruding or machining.

Lexan now costs \$1.50 a pound but GE expects mass production will see it drop to 60-to-80¢ by 1965. Total US market is expected to be 6-to-12,000,000 pounds by 1962, soaring to 75-to-100,000,000 by 1970.

The new GE plant can turn out 5,000,000 pounds a year now, twice that with little extra expense and four times it by building the mirror image of the plant right next to it. The plant sits in a sunny cornfield a few hundred feet from the banks of the Ohio, on 25 acres of a 162-acre site bought from the Chicago & Eastern Illinois Railroad.

Visitors to the plant don a Lexan safety helmet and see two main buildings—an open-air production plant where the two main components, bisphenol A and phosgene, are joined and a longer, lower finishing plant where Lexan powder is fused, colored, extruded, pelletized and packed. All reactions in the production plant are controlled by two elaborate panel boards. Only 62 employees including office staff will work the plant at first. Eventually GE intends to make Mount Vernon its plastic headquarters and move research and marketing people there from Pittsfield, Mass.

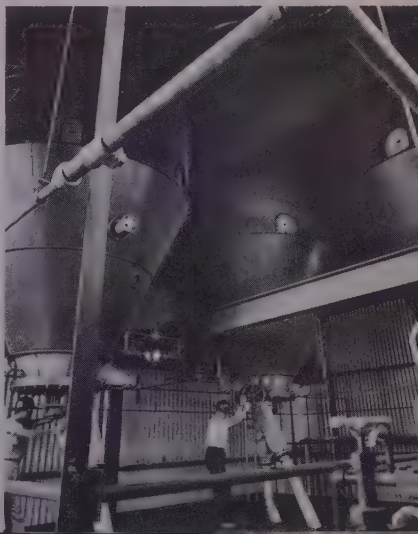
Researcher Roy Moody says GE has only started to try out all the



Lady lifts on Lexan

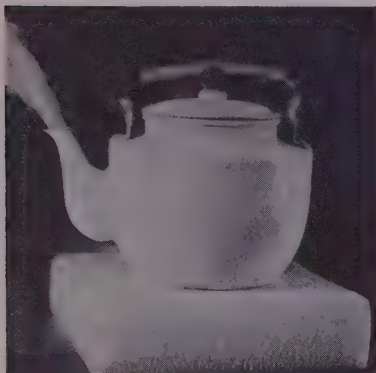
chemical brothers and cousins of Lexan. Gene Schubert stresses GE entered the polycarbonate field not merely to make money but "because we felt we could make a unique contribution." One Lexan application already being tested: a set of dentures.

Inside GE's Lexan plant



Fantastic Realm of the Deep Freeze

Sub-Zero Temperatures
Reveal Fabulous
New Cold World



ALTHOUGH the tea kettle boils when heated by nothing more than a block of dry ice, it is no sign housewives may abandon traditional "hot" gas or electric cooking. Rather it illustrates one unusual phenomenon which occurs at extremely cold temperatures: dry ice at a cold -109°F is "hot" enough to cause the ultra-cold liquid nitrogen (-420°F) within the kettle to boil vigorously. This is but one example of the uncommonly cold world below -100°F where gases of the air turn liquid, steel becomes as brittle as glass, metals become superconductive and living cells pass into a state of suspended animation.

The study of what happens to such matter at these ultra-cold temperatures is called cryogenics. Not a new science, cryogenics (from the Greek *Kryo* meaning icy cold) actually dates back as far as the mid-nineteenth century when British

scientist Lord Kelvin formulated what he called the Joule-Thompson effect: a compressed gas allowed to expand will change its heat to the needed energy, thus cooling itself. Any cooled gas eventually turns to liquid.

More recently cryogenics has gained public focus with the development of liquid oxygen fuel systems. The Germans first saw the potential of liquid oxygen (lox) as an oxidizer in rocket fuels in the mid 1920s. During War II they used lox and kerosene to power their V-2 rockets. Another wartime development was the use of oxygen in compact units for high altitude flying. Today oxygen is used extensively in the steel and chemical industries as well as for missile fuel purposes.

Producer Roll. Chief oxygen producers are industrial gas leader Linde Company, a division of Union Carbide, and 20-year-old Air Products Inc which broke into the big league by supplying on site oxygen to the steelmakers. Three other suppliers—Air Reduction Company, Chemetron's National Cylinder Gas and the Liquid Carbonics division of General Dynamics—seek a bigger role in the fast-paced oxygen supplier race.

Biggest user of oxygen today is the steel industry. More than 80% of our steel is produced by the traditional old open-hearth process which, with the increasing use of oxygen to speed up steel making and cut operational costs, has doubled efficiency in the last decade.

In 1950 the steel makers consumed 9.2 billion cubic feet of oxygen. Today they use five times as much. Industry sources estimate steel producers and metal fabricators consume 65% of the total oxygen output. Last year oxygen production reached 3,275,000 tons (excluding Government production).

Next biggest customer is the chemical industry which last year consumed some 20% of total oxygen output. Although most large chemical producers make their own oxygen, a number of petrochemical producers find bought oxygen saves plant start-up time and cuts capital investment costs in partial oxidation processing of natural gas.

Missile Boom. Cryogenic engineering & research has had a big impact in missiles. Last year missiles & rockets used 13% of total oxygen volume. But the biggest cryogenic missile thrust is yet to come with the development of storage and production procedures for liquid hydrogen (-423°F) which is rated the most effective rocket fuel yet. Extremely light weight (three-fifths of a pound per gallon) but with a high specific impulse (the measure of propulsion energy released as the fuel is burned) hydrogen is considerably cheaper than most solid fuels, may eventually prove the cheapest of all fuel possibilities.

In a pioneering effort NASA has redesigned project Saturn to use liquid hydrogen in the third stage of this rocket. The fuel will be supplied by Linde and Air Products.

Aggressive Air Products operates the Government's liquid hydrogen

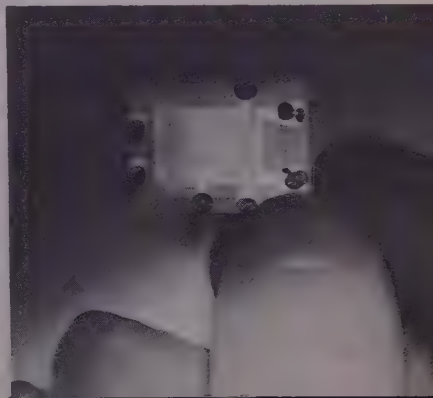
facilities. Under Government contracts the company built two prototype liquid hydrogen plants in Allentown, Pa. Then in 1959 in West Palm Beach, Fla it built "the only large tonnage unit" known to exist anywhere. Linde has an experimental hydrogen plant at Tonnawanda, NY and last week full-scale production got under way at a plant in Torrance, Cal. This is the first large-scale privately-owned and operated liquid hydrogen facility.

Other cryogenic liquids utilized in rocket fuel systems include nitrogen and helium. Helium gas is also used to inflate Navy blimps. The US Bureau of Mines controls domestic production of helium which comes from natural gas wells in the Southwest.

The prime cryogenic product fuel experimenters include a roster of aircraft and rocket specialists: Aerojet-General, Beech, Boeing, Martin, the Pratt & Whitney division of United Aircraft, North American Aviation's Rocketdyne and Thiokol.

The growing usefulness of cryogenic liquid gases has produced a demand for all types of auxiliary

Thin film "gizmo" for cool computer



equipment, designed to regulate, liquefy, ship and store cryogenic fluids. Much of this new demand is met by the cryogenic fluid producers themselves—particularly Linde and Air Products.

Roll Call. A number of other companies are also active. Among them are Aerojet-General which supplies a cryogenic pump used to move liquid hydrogen. Others include Advance Industries, Blaw-Knox, Pesco Products division of Borg-Warner, Cryogenic Engineering Corp which makes a semitrailer for the world's largest mobile helium liquefier (produced under Navy contract by Air Products and Fluor Corp), General American Transportation, Garrett, General Electric, the Hamilton-Standard division of United Aircraft, Kaiser Aluminum and Owens Corning.

Private Players. The extensive list of specialty equipment suppliers also includes a number of privately owned companies: Ryan Industries of Cleveland; Standard Steel Tank subsidiary Cambridge Corp of Boston; New York-based North American Philips; and research and engineering specialist Arthur D Little. Working in close cooperation with the scientists at MIT, Little has turned out 150 prototype helium cryostats (refrigerators) as well as helium liquefying and refrigerating equipment.

Other than gas liquefaction the science of cryogenics is also important to such diverse fields as communications, computers and biology and chemistry. IBM is working on tiny electronic computers encased

in frigid cabinets. Instead of containing tubes, transistors and magnetic cores these computers use thousands of microscopic deposits of lead and other metals on ultra-thin film to achieve switching speeds 50 times as rapid as the fastest transistor.

The secret of these high speed ultra-thin films is super-conductivity. Electrical resistance in certain materials cooled to cryogenic temperatures is virtually non-existent. Several metals which at normal temperatures are poor conductors take on the qualities of super-conductors when cooled. Thus even lead becomes a spectacular conductor when cooled below -400°F .

In addition to remarkably high switching speeds, IBM's cold computer will have a vivid memory and because of the ultra-cold temperature (little heat is generated) layer upon layer of film may be packed into an area about the size of a basketball. Theoretically this "shoe box size" computer should never wear out.

General Electric also utilizes this phenomenon of superconductivity in Project Spin. The company has developed a cryogenic gyroscope which overcomes the drawbacks of mechanical bearing contacts by suspension on a frictionless magnetic field. GE hopes its "cryo-gyro" which will be tested this year will increase the precision of current missile guidance systems.

Cryogenic research has also proved useful in long-range communications. Low temperatures tend to greatly lower noise levels. Ap-



Linde loads liquid hydrogen

plied to heat-sensitive infrared detectors such as those used in homing type missiles like the Sidewinder, cryogenic principles can intensify the sensitivity and accuracy of the guidance system to the point where the tracking mechanism can sight an approaching missile at four times the distance previously possible.

Another area for cryogenics is the ultra-sensitive crystals called Masers (Microwave Amplification by Simulated Emission of Radiation) which form the heart of radiotelescopes probing millions of light years deeper than optical telescopes into space. A Maser cooled by Linde's liquid helium helped Bell Labs bounce messages off the 1,000 mile-high Echo satellite.

Cryogenic research has also opened new doors into basic physics. Scientists are now able to make spectroscopic studies of free radicals, molecular fragments or chemical mutants which usually exist only momentarily in flames or hot gases.

By applying cryogenic techniques these free radicals can be frozen and their unique state studied to obtain fundamental information on the arrangement and reactions of atoms and molecules in solids.

Cryogenics is also important in biology. Linde is working on the use of liquid nitrogen to quick-freeze biological materials for long periods of storage, hopes soon to solve the problem of indefinite storage of whole blood. In cooperation with the Office of Naval Research, Linde developed freezing, storage and thawing techniques which have been highly successful in experimental work with animal blood. The key is the low temperature of liquid nitrogen which freezes blood so fast cell-destroying ice crystals do not have time to form.

These and a host of other uncommonly cold developments still in the laboratory stage are bringing the frigid world of cryogenics closer to the world around us.

PRODUCTION PERSONALITIES

OIL

Energetic "Boots" Adams
Guides Phillips Pete
To Petrochemical Stardom

FROM ITS BEGINNING in 1917 as a \$3,000,000 wildcatter on the Oklahoma plains to today's status as America's 16th-largest industrial concern, \$1.6 billion-assets Phillips Petroleum Company has had but two chief executives. First of course was its founder, farsighted banker-turned-oilman Frank Phillips who reluctantly retired from active management in 1949 but continued as honorary chairman up to his death in 1950 at the age of 76. Kenneth Stanley Adams, better known as "Boots," then took over the reigns first as president (a title he held as early as 1938), and for the past nine years as chairman.

Though Boots Adams (see cover) was handpicked as "Uncle Frank" Phillips' successor he is quick to admit leadership of the company has changed considerably. "In those days it was a one man company," he observed from his spacious well-appointed office in Bartlesville, Okla. recently. "Today every man in our top five executive team can run the show and sometimes does when the rest of us are away." The powerful team members, aside from Boots, are president Paul Endacott, 58, executive committee chairman Stanley Learned, 57, executive vp William W Keeler, 52 and the newest member, general vp John Houchin, 51, head of Phillips' expanding foreign activities.

This quintet has in common a minimum of 25 years experience with Phillips. And all except Houchin (an Oklahoma University alumnus) attended Kansas University in the Twenties where Boots and Endacott starred in basketball. Obviously proud of this executive team which permits Phillips to be "centralized at the top and decentralized" below, Boots Adams lays claim to the broadest management organization in the industry. He hails the speed with which the top quintet "gets around the table" in the chairman's office when a decision must be made. And all practice an "open door policy" to employees who wish to see Boots or any other officer.

Captain Boots. But despite the stress on teamwork there is little doubt Boots Adams is the captain and signal caller who has personally directed much of the company's rapid rise. Eighth-largest and among the best integrated of US oil companies, Phillips has grown especially fast in the last decade with revenues up 142% and profits 135%. Chairman Adams attributes such success to policies of expansion and diversification launched many years earlier.

His own career with Phillips started when he came to Bartlesville to peddle ice for an uncle during the summer of 1920. Born in Horton, Kan in 1899 and studying business administration, he did not know the oil business but was a Kansas basketball star. He half-seriously remarks "that's what got

me my job. The Phillips team needed a fifth man." Cage enthusiast Phillips did not rely on Boots' press clippings but watched him and some boys from the local "Y" beat the pick-up company five. Boots was soon hired as a warehouse clerk and organized the first, full-fledged Phillips team into what became the world champion 66'ers. Today apparently he is still interested in team-building, is known to migrate frequently to the Bartlesville Little League lot.

Even off the court, energy and a competitive spirt apparently spurred young Boots Adams. "There was no substitute for good old hard work every day and every night. I knew it was always going to be me or the next guy." By 1928 he had worked his way up through the production, accounting and treasury departments to become assistant secretary and assistant treasurer at 29.

Trades and Deals. Then came a key period for both Boots Adams and Phillips Pete. "Fortunately we saw the importance of diversification early, also the need to acquire our own marketing facilities." Boots Adams got this job and in 1929-31 when most people were depression-shy he was out spending \$26,000,000 to build the nucleus of a marketing organization. He recalls: "We did not have the money but we were getting near par [5-to-6%] for our bonds." He also developed a characteristic which he attributes to Frank Phillips—"a sharp nose for a good deal."

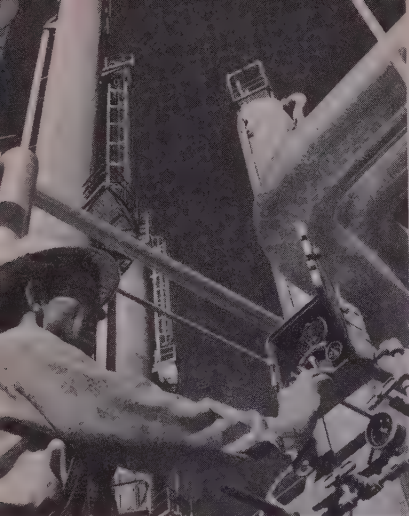
In 1932 president Phillips made him his assistant, gave him a chance

to do more "trading and dealing." This time in an even more prophetic move he went after natural gas reserves after "some of our research men convinced me of their great potential worth." Boots adds: "I was accused of chasing gas bubbles but we got them without much money for as little as \$3.50-to-\$10 an acre in the early Thirties when no one else wanted them."

Deals like this are illustrative of what a fellow executive calls Boots Adams' "uncanny judgment plus his willingness to gamble." The combination has added greatly to Phillips mineral resources and earnings power. In another famous move, again based on the ideas of company geologists, he persuaded first Phillips then the voters of Oklahoma City to permit him to drill for oil right under the State Capitol. As a result Phillips gained rights to one of the state's richest oil fields.

And the busy chairman is still at it. Last month he announced Phillips latest deal, an exchange of its Canadian oil & gas producing properties for a 39% interest in Pacific Petroleum Ltd. The trade is still subject to approval by Pacific stockholders but if completed will give Phillips "an active hand" in management of the Canadian company.

But it was Boots' determination to "chase gas bubbles" in the Thirties which did most to shape the diversified Phillips Pete of today. Among producers Phillips is not only the top US handler of straight natural gas (ethane and methane) but also has long been the leading producer and marketer of liquefied



Spot check on chemical conversion unit

petroleum (LP) gases like propane and butane and top producer of natural liquids. Thus Phillips has happily participated in the fastest growing portions of the petroleum industry.

For the past ten years US demand for natural gas has increased at an annual rate of 8-to-9%, LP gas at 12% as against only 4-to-5% for domestic oil. To keep up with the trend Phillips now spends over half its exploratory budget to find and develop gas. Certainly not displeasing is the fact gas prices have doubled in the past ten years while oil sells at only one-fifth higher. While in the famous Phillips rate case, battled all the way to the Supreme Court, the company (and industry) lost a fight to keep gas sales to pipelines free from FPC jurisdiction, an actual rate determination has not yet been reached. However Phillips is determined to insist on rates which offer the company

an adequate return on its huge gas investment.

Prized Petrochemicals. But probably the most significant consequence of the company's gas activities is not concerned with the direct sale but rather the sophisticated processing of the gas into a magic array of petrochemicals. Boots Adams laconically observes "insufficient outlets for our natural gas liquids led us into chemicals," which now figure as the third basic Phillips industry.

The petrochemical research effort got its first real start during the successful defense of a patent infringement suit brought in 1925 by natural gasoline processor Union Carbide. Phillips pioneered in natural gas liquids research and discovered how their molecular structures made them building blocks for a wide variety of chemicals.

Thus developed the company's obsession with "upgrading"—getting the last scrap of value from its raw materials by removal of impurities and production of a number of more valuable end products. For example, as natural gas is stripped of certain hydrocarbons, out comes natural gasoline (used to make high quality fuel) plus ingredients for such different end products as rubber compounds, plastics and materials for nylon, dacron, other synthetic fibers. As a result of its early lead, Phillips is more heavily committed to petrochemicals than any other US oil company. And this trend appears likely to continue. Says Boots Adams: "We expect to lead the oil industry in transfor-

mation into a chemical company."

To perform this gradual metamorphosis Phillips has assembled a highly productive research team. It is the eighth-largest US industrial patent holder; among oil companies it is outranked only by Jersey Standard.

One of the most successful of its patented products is Marlex, the first American-developed high density polyethylene thermoplastic. The hula hoop craze two years ago provided an unexpectedly heavy early consumer application. By now scores of more stable applications have taken its place. For instance Phillips officials claim 85-to-90% of the booming liquid detergent container market into which Marlex ventured just last year. Marlex is also used for ski tow rope, pipe, housewares and industrial moldings. Applications are continually worked out in the Bartlesville customer service laboratory. Large additions to three plants producing Marlex and its feedstock ethylene are under construction as current demand exceeds maximum production.

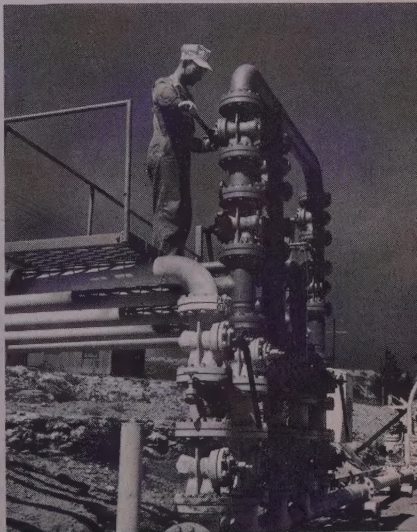
Also under construction scheduled to begin production in December is a plant in Borger, Texas for Cis-4, Phillips' newly developed synthetic rubber. Phillips has also licensed its process to two US companies (one of them: American Synthetic Rubber) and a subsidiary of Italy's Ente Nazionale Idrocarburi which is now building a synthetic rubber plant near Ravenna. Phillips says Cis-4 can be sold profitably in competition with natural rubber. It is another example of successful "up-

grading" since it is made entirely of butadiene which Phillips makes from natural gas liquids.

Petroleum Based. In spite of prospects considerably less glamorous than natural gas or petrochemicals oil remains Phillips No 1 product. The bulk of its heavy spending in recent years (\$727 million just since 1955) is still gas and oil exploration and refining. Its annual sales of petroleum products have doubled from 70,000,000 barrels in 1949 to 149,000,000 in 1959. Though it entered the foreign field later than many of its competitors it has footholds in several prime overseas areas including a concession on Lake Maracaibo in Venezuela and a one-third ownership in American Independent Oil Company's interests at Kuwait.

When asked about prospects for the oil industry in view of present world overproduction, chairman Adams reports he is optimistic. For

One of many pipeline stations



the US alone he calculates an annual demand increase for the next 10-to-15 years around 3%, maybe up to 5% in certain years. But he stresses the Phillips credo: "Our broadest growth and development in the industry will come from its by-products."

Speaking of Phillips' own growth, the distinguished chairman declares confidently: "This will be our biggest year." In the first six months Phillips managed to raise gross income 1% to \$603,000,000 but, partly because of lower oil prices, net declined to \$1.51 a share from \$1.55. Prime factor was non-recurring income from sale of oil and gas leases came to only 9¢ this year v 23¢ a year ago. For the full year Boots Adams expects some help from June and July hikes in gasoline prices, notes: "We're having a good third quarter." Expanded chemical facilities may provide another boost.

Last year Phillips net reached a peak of \$104,600,000 or \$3.05 a share on gross revenues of \$1,163 million. The previous high was \$2.80 a share in 1957 when revenues were just \$32,000,000 lower. Apart from 1958 when revenues dipped 6% and net 12% Phillips has displayed a steady growth pattern with revenues up more sharply

in the past ten years than most integrated petroleum companies.

But while net profits have doubled since 1950 and risen 42% since 1951, earnings a share have risen at less than half that rate because of conversion of senior securities. The \$280,000,000 long-term debt includes \$172,000,000 in 4¼% debentures convertible into common stock at \$50 for the next seven years.

Stock Story. The 34,357,000 shares ("P" on the Big Board) have done quite well for themselves during this past decade of expansion. Adjusted for 2-for-1 splits in 1951 and 1956 they have risen from 19 in 1951 to 45 last week. This however remains a fair distance short of the 56 high during the more enthusiastic oil stock market of 1956. Dividends have been paid without interruption since 1934 with the current 42½¢ quarterly rate providing a 3.8% yield.

Boots Adams expects the future record to be favorable too: "We anticipate a continued gradual increase in gross and net. Here in Bartlesville we'll be disappointed if results don't justify at least a doubling of our stock in the next five years. Moreover that estimate is based on the past, our only yardstick, and the company is better now than ever before."

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BOOZE & BIKINIS

These bikini beach queens enjoying an afternoon refresher are two model representatives of the fast increasing crowd of vodka imbibers. They have helped spirit vodka sales more than nine-fold in the last decade to 6,500,000 cases for 10% of the distilled spirits market last year. In its phenomenally rapid rise vodka has long since outstripped rum, cordials, liqueurs, brandy and Canadian whisky in volume, recently overtook Scotch and is now challenging gin.

Biggest caterer to this tastefree taste is Hartford specialty distiller Heublein Inc which makes vodka best seller Smirnoff as well as Relska which it claims is the No 2 brand and the recently introduced popular priced Popov. Heublein whose longer-established lines of bottled cocktails and cordials have remained small now gets 75% of its volume in vodka, figures it accounted for one-third the industry total for this beverage last year.

Vodka's success has helped Heublein boost its sales from a mere \$24,820,000 in 1952 to a record \$103,200,000 in the year ended June. In the same period profits have expanded from \$562,000 or 54¢ a share to last year's \$3,550,000 (\$2.41), also a record.

A newcomer to investors, Heublein stock has also expanded from an original offering price of 21 just one year ago to its recently quoted high of 34 in the over-the-counter market. There are 1,500,000 shares outstanding but all but 427,000 are closely held by the Heublein family and 45 company employees.

Heublein president John Gilbert Martin (his mother was a Heublein) attributes vodka's popularity in part to the fact whisky is an acquired taste and many people never get to like it. Hence vodka which has neither taste nor smell is the perfect solution for the would-be drinker who does not really like whisky. Another big reason for vodka's popularity however is Heublein's intensive off-beat advertising campaign (as sampled above) which totaled \$8,000,000 last year.

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T.L.C.

For patients with sagging morales, doctors are said to prescribe plenty of T.L.C.—“tender, loving care.”

We're often tempted to suggest to investors that they give their portfolios the same prescription. For while it is true that there are many securities that can be bought and held for years, it doesn't follow that any or all securities should simply be put away and forgotten. They should be checked regularly—pulse felt, temperature taken, prognosis determined.

If you don't feel competent to perform this periodic check-up yourself, why not turn it over to us? Tell our Research Department—in confidence—about your situation and your aims. List your securities and what you paid for them. They'll take it from there, telling you whether they think your securities are right for your objectives and recommending others if they're not. In short, they'll give your portfolio all the T.L.C. it needs and pass along to you any other prescriptions that seem appropriate under the circumstances.

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